

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7101

BILL NUMBER: SB 405

DATE PREPARED: Jan 25, 2002

BILL AMENDED: Jan 24, 2002

SUBJECT: Health Facility Receiverships.

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FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill permits the state to recover costs incurred by the state as the result of the receivership of a health care facility. The bill provides that the costs of receivership constitute a preferred claim against the receivership estate.

Effective Date: July 1, 2002.

Explanation of State Expenditures: (Revised) The fiscal impacts of this bill are two-fold. The state may save money due to reduced time spent in court. In addition, the state may recoup some costs of receivership from a facility that declares bankruptcy.

This bill provides additional clarification as to costs associated with a receivership. This may facilitate court proceedings and reduce the amount of staff time and resources spent in litigation. The savings associated with this component are not known. The Attorney General's Office spent a negligible amount of time in receivership-related court proceedings last year.

Explanation of State Revenues: (Revised) This bill makes any costs paid by the state for a receivership a preferred claim against the receivership estate. Last year the state incurred \$7 M in costs from one facility that was placed into receivership. The state is currently appealing a ruling regarding rent for this facility. This may result in an additional cost of approximately \$1 M for this facility. Part of the cost of receivership is that of placing patients in state care, if deemed necessary. These patients normally would not qualify for state placements. The state may recoup some costs of receivership from facilities that declare bankruptcy. Total revenue is undeterminable at this time.

Explanation of Local Expenditures: There will be a local cost to the extent that a county-owned facility is impacted. There are currently six county-owned facilities in the state.

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Indiana State Department of Health, Office of the Attorney General.

Local Agencies Affected: County health facilities.

Information Sources: Jennifer Thuma, Assistant Director Legislative Affairs, Office of the Attorney General, (317) 233-6143; Amy Brown, Legislative Director, Family and Social Services Administration, (317) 232-1149; Marilyn Cage, Legislative Liaison, Indiana State Department of Health, (317) 233-2170.